

The speech of the Deputy governor Fehmi Mehmeti at the Annual Conference of the Kosovo Banking Association with the topic: Digital Banking Services in Kosovo

Dear Mr. Aliu, Chairman of the Board of Directors for the Kosovo Banking Association

Dear Mr. Balijsa, Executive Director of the Kosovo Banking Association

Dear Mr. Rexhepi, Director of STRAS

Ladies and gentleman,

Let me thank the Kosovo Banking Association and EFSE for organizing this event, and giving me the opportunity to address to you.

Among the main challenges in modern banking is advancing to the digital banking which enable customers to carry out banking activities without being obliged to appear physically at the bank counters. We are witnessing the continuous advancement of banks to digitalization, where the most expressed is e-banking which is lately enabling customers to access their accounts in real time and perform banking transactions also by mobile phone.

Advancing the use of digital money is a three dimensional processes. No doubt the first step on this way starts from the CBK. CBK as a regulator and supervisor of the banking and financial sector has the obligation to provide adequate legal and regulatory infrastructure in order to advance banking sector in Kosovo. The legal base in force, aims at contemporary international standards. This year also started the implementation of real time gross settlement service or RTGS, which provides an additional reason to use banks more while making payments rather than paying on the classical way.

The second step in order to advance digital banking services should be done by banks themselves. They need to make offers or in other words to lure customers to use e-banking. We must recognize the new developments that have been made in recent years and anticipate toward them, as the range of possibilities to use digital services in our country is very high and comparable with that of developed countries. Today, Kosovo client have the opportunity to perform almost all banking transactions and more than that by using e-banking system. Banks are those who should be leaders in this process by encouraging customers to switch from being classic customers to digital customers. This is undoubtedly achieved also by balancing costs, respectively providing opportunities of digital banking to be less expensive than the classic one. Being aware that we are in a market economy, the issue of provisions applied shall be addressed further by commercial banks.

The third step of this process has to do with bank customers who every day more are using digital services. Based on the CBK publications, we notice that the total number of interbank transactions in 2015 amounted to around 9.8 million transactions, a number multiplied

compared to year 2012 where it was 4.3 million euro. Only for a six month period from January to June 2016 the number of bank transactions amounted to 5.4 million euros which guarantees that by the end of this year this number will be of double-digit, highlighting the confidence of the citizens of Kosovo in the banking system and increasing banking intermediation in the context of making payments without cash. In terms of value, in 2015 it amounted to 7.5 billion euro (interbank payments value) compared to 5.7 billion euros as it was in 2012. For these numbers to be more meaningful and represent achievement made in this regard is the fact that the average value per transaction in 2012 was 1325 euros, was reduced to 765 euros in 2015. This once again shows that the opportunities offered by banks regarding non-cash payments are welcomed by customers using digital banking for payments below 1,000 euros of value.

At the end of the second quarter of 2016 the number of accounts that customers could access via internet reached 215.233 compared to 2015 represents an increase of about 14.92 percent or an increase greater than in 2012 when it was 97.089 bank accounts. Increasing the number of e-banking users greatly reduces payments in cash, which is also one of the goals of financial institutions in the country. Conducting transactions through e-banking service is a highly efficient and safe way, as customers can save time and carry out transactions at any time and from any location.

As eight from ten licensed banks in the country are banks of foreign capital, this shows that in addition to being very attractive to foreign investors, this sector represents a priority in view of bringing new banking experience in the Kosovo market. This is also expressed in the competition they show in regard to advance the non-cash services.

In the end, being grateful for your time, thank you very much!